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THE PAPER CURRENCIES OF NEW FRANCE.

THE monetary history of the French settlements along the River St. Lawrence was influenced in no slight degree by mercantilist regulations. Royal paternalism, exclusive trading companies, monopolies in both the export and import trade, maximum selling prices and minimum purchasing rates, and the prohibition of traffic with any but the mother country, were prominent features of the French colonial policy. They should be noted in this connection as factors of considerable importance in the financial and monetary affairs of the colony of Canada. Furthermore, they are the necessary preliminary to our proposed account of that *monnoye de carte* whose varied fortunes between 1685 and 1766 form one of the most characteristic, though possibly unfamiliar chapters in the history of paper currencies.

A study of the monetary experiences of Canada during these years naturally divides itself into five parts, corresponding with the several stages of the history of the currency, and of its ultimate depreciation and liquidation :

I. The period preceding the card money, from the earliest settlement to 1685.

II. The early use of the paper expedient, 1685-1719.

III. Employment of card money as colonial currency under royal authority and restriction, 1729-1749.

IV. Era of territorial aggression, foreign war and recourse to unauthorized issues of a new type, 1750-1760.

V. Period of enforced liquidation, 1760-1766.

I.

—1685.

The exchanges of the first period were chiefly effected by means of barter. The colony produced but little. The greater

part of the supplies and food for the settlers was imported from France ; imports thus greatly exceeded exports, and the specie brought into the colony for the royal expenses was almost immediately returned to the mother country in adjustment of the unfavorable balance of trade. This homeward movement of coin was accelerated by the lower prices of commodities in France, and by the natural poverty of a new and undeveloped region. The settlers, too, were averse, perhaps unconsciously so, to using expensive money metals as the medium of exchange when something cheaper could be made to serve the purpose.

Pelties were practically the only commodities exported, and the larger proportion of these were beaver-skins. Beaver-skins, therefore, being the important staple of the colonial trade, came to be used as currency, much as was tobacco in the early days of Virginia,¹ though other forms of barter were widely employed.² In the fur trade, brandy was a tender eagerly accepted by the Indians, and neither royal decrees nor ecclesiastical protests could altogether stop this use of the liquor.

Barter, however, was attended by many inconveniences. Not the least of them, according to a decree of 1670, was the frequent necessity of waiting for consumable supplies until the raw produce had been exported to France, sold, and the needed goods brought back to Canada. The inconveniences of deficient currency, and of realizing returns but once a year, were brought to the attention of the French West Indies Company, then the owners of the trading monopoly in North America. Its influence secured in 1670 a special coinage for the colonies, consisting of silver pieces of 15 *sols* and of 5 *sols* and of copper "*doubles*" of 2 *deniers*.³ But specie continued to be exported from Canada and even the newly introduced subsidiary coins were sent abroad.

To secure the supposed advantage of keeping this specie in

¹ PARKMAN. *The Old Regime in Canada*, p. 299.

² FAILLON. *Histoire de la Colonie Française*, iii. p. 246.

³ E. ZAY. *Histoire monétaire des Colonies Françaises, d'après les documents officiels*, pp. 41-43. In the XVII. and the XVIII. centuries the French money table was as follows: 12 *deniers*=1 *sol*, 20 *sols*=1 *livre*. The *livre* afterwards became the *franc*.

the colony, the device of raising its current value one-third was resorted to in the Declaration of November 18, 1672. Coins of France were also made a tender at one and one-third times their value at home. By these means it was expected to reduce all payments in kind to terms of specie, "for the sake of the facility of commerce and the growth of the colonies" ¹

This decree, moreover [says an official report of 1717],² was of great advantage to the West Indies Company. It paid the officers with this money on the basis of the increase, it bought merchandise and the services of the colonists with the same money, and it gained in both transactions an extra profit of one-third. It made a similar gain on the French goods which it sold in America, because the price of these was raised in proportion to the increase in the nominal value of the specie. Hence, also, the distinction between the two kinds of money in the colonies. The one, taken at its rating in France, is called *monnoye de France* or *livres tournois*, the other, considered at its current value in the province, is termed *monnoye du pays*. That is, a piece of 10 *sols monnoye de France* is worth 13 *sols*, 4 *deniers*, in Canada, and a piece of 15 *sols* circulates as 20 *sols*, *monnoye du pays*.

Profitable though it was to the trading company, the depreciation of the standard did not accomplish the professed purpose of the decree. Instead of passing at its nominal value in Canada, and thus escaping the 25 per cent. reduction which it would suffer if used in France, the debased coin soon fell to its intrinsic value in the colony—the increase in its rating being defeated by the rise of prices quoted in its terms. Then, of course, it became subject to the same forces of colonial trade as any other specie. The regular efflux of money metals was not appreciably checked and Canada again was forced to be content

¹ *Ibid.*, p. 46. *Arrest du Conseil d'État, etc.* In 1670, the silver *livre tournois*, or unit of the French standard (*monnoye de France*) weighed 9.2 grams and was 11-12 fine. (Zay, 45.) It therefore contained the same weight of fine silver as .3506 of the present American dollar. Twenty *livres* of the debased coin (*monnoye du pays*) established in 1672, would be equal to \$5.259, or 15 *livres tournois*, i. e., 1 *livre du pays*, \$0.263; 1 *livre de France*, \$.351.

² *Memoire sur la monnoye de carte et historique de ce que s'est passé à ce sujet*, 12 avril, 1717. *Conseil de Marine*. ZAY, p. 141.

with the small proportion of coin demanded by the wealth and commerce of the country.

Some abuses incident to the *monnoye du pays* were remedied by the decree of 1674, which abolished the artificial value at which the new coin was legally current¹ But through a peculiar custom in the fur trade, *la monnoye du pays* was retained until 1719 as the usual money of account, reducible to terms of the standard by a reduction of 25 per cent.²

By 1679 agriculture, and especially grain growing, had been considerably advanced. The colonial intendants, however, still complained of the scarcity of coin. There is nothing to show that they appreciated the need of a country's having an abundance of other valuable commodities, exchangeable for gold and silver, before it can reasonably expect to retain the desired amount of coin in circulation. Whatever may have been their economic thinking on this point, it was thought necessary in March, 1679, to declare wheat a legal tender at the rate of 4 *livres* per *minot*.³

Five years later, the colony again suffering the lack of the preferred medium of exchange, the *habitants*, or colonists, were empowered to discharge their obligations in mooseskins, at rates fixed by the governor and intendant.⁴

This was practically the last law on the currency before the introduction of card money. This first period was the barter period of colonial trade. Specie, to be sure, was the only currency permanently recognized as such, but, as the colony was poor in almost everything, it was poor in specie. The effort to

¹ *Arrêts et Reglements du Conseil Superieur*, pp. 15 - 16.

² ZAY, p. 142. *Memoire, ut supra*.

³ *Arrêts et Reglements*, p. 42. A *minot* was three French bushels. The document recites that creditors refuse to accept the grain except at very low prices, that the fruits of their harvest are frequently the only property at the disposal of debtors, and that the payment of debts in wheat at such low rates would leave them none of the food saved for their support. Wherefore it is decreed that during the three next succeeding months, wheat may be offered in payment at the rate of 4 *livres* per *minot*. To refuse such discharge is forbidden, and purchase of grain for purpose of payment prohibited on pain of confiscation and arbitrary fine.

⁴ *Ibid.*, p. 55.

keep coin in the country by debasing the standard, ended in self-confessed failure. In the later years of this period, it was the custom of the French authorities, each autumn, to remit to the officials at Quebec the supplies of money and of goods needed to support the colonial establishment during the succeeding year. The solvency of the government in Canada was thus maintained without the help of artificial devices.¹

II.

1685-1719.

The funds for the year 1685 were not remitted the preceding autumn. Jacques de Meulles, royal intendant of police, justice and finance in Canada, found himself sorely pressed by lack of money. He writes to the Minister of Marine, September 24, 1685,² that he had drained his own purse and those of his friends in order to pay the soldiers their usual monthly wages, and finally, loans failing, was obliged to seek some other aid.

Not knowing [he continues] to which saint to make my vows, and money being exceedingly scarce, I hit upon the idea of paying out in place of silver, notes made of cards cut in four pieces. I send you, my Lord, specimens of three kinds, the one being for four *francs*, the other for forty *sols*, and the third for fifteen *sols*, because with these three sorts I could just pay a soldier's wages for one month. I have published an order obliging all the colonists to receive this money in payment and to give it currency, undertaking in my own name to reimburse the said notes. No one has refused them, and the measure has had such good effect that by this means the troops have lived à l'*ordinaire*.

No other contemporary account of the first issue of card-money has been discovered. The samples forwarded with the intendant's letter have been lost, and as the notes were destroyed after their redemption, we know nothing further as to the appearance or inscriptions of the cards used by de Meulles. According

¹ ZAV, p. 143. *Memoire, ut supra*.

² ZAV, p. 127. Also quoted by Parkman, *ibid*, p. 306.

to M. Zay, whose collection of documents on the card-money is the most complete yet published, "there is every reason to believe that the cards bore only the impress in sealing-wax of a crowned *fleur-de-lis*, the written indication of their value, and the signatures of the intendant and the clerk of the treasury." From the meagre description given in the letter just quoted, it appears that the first issue was, in effect (1) an anticipation of remittances from France, (2) backed by the intendant's personal pledge of repayment, and (3) endowed with the quality of legal tender.

From this time on, the colonial funds were seldom sent in advance; the moneys for only the expenses of the current year were forwarded in the ships sent annually by the King. But, as the ships did not arrive until September, after nearly all the year's expense had been incurred, the intendants were frequently obliged to anticipate revenue by issuing *monnoye de carte*. This currency was made of ordinary playing-cards, cut in different shapes for the several denominations. The value, expressed in terms of the debased *monnoye du pays*, was written on each side, and all the cards were signed by the *gouverneur-général*, the intendant, and the clerk of the treasury. The right of issue pertained to the first two officials, and, after the preparation of the cards had been duly recorded, and a decree establishing their legal-tender quality published, they were transferred to the disbursing officer, the clerk of the treasury, who receipted for them as substitutes for the moneys which he should have received from France.¹

¹These facts are taken from the *Memoire* of 1717, *ut supra*.

The earliest explicit description of a card issue is in the *Délibération* of October 1, 1711. The necessity of putting the colony in a state of defense against the English had consumed most of the funds for 1711, and occasioned loans to the amount of 80,000 *livres*. The creditors refused to accept bills of exchange on the Royal Treasury in discharge of these amounts, and the traders of Quebec, following their example, also refused to accept the drafts in payment for the supplies which the Government was obliged to purchase. It was decided to issue 3,000 each of cards for 100 and 50 *livres*, 200,000 *livres* of this to discharge the colony's debts; 250,000 to be used for the expenses of 1712.

The notes for 100 *livres* were written "*en travers*" upon undivided black cards

In each year that the step was necessary, cards were issued to the amount of the expected royal remittance. Upon the arrival of the vessel bringing the funds, all cards presented at the treasury office were retired, and after having been counted and examined, were burned in the presence of the high officials of the country. In short, the cards, though legal-tender, and in appearance hardly distinguishable from fiat-money, were merely temporary expedients, regarded by the issuers as debts in the strictest sense of the term. And not only were they treated as evidences of debt, but also, within certain limitations as to time, they were convertible into specie. This redemption in coin is a point worthy of careful notice, as in subsequent paper issues specie convertibility was replaced by an arrangement first established as a mere convenience for the officers and colonists who had payments to make in France. During the term set each year for the retirement of the cards, the holders were allowed the privilege of exchanging their card-money, and other negotiants their specie, for Bills of Exchange, drawn by the clerk of the treasury upon the *trésoriers-généraux* of the French Marine. Commerce was thus facilitated by saving the colonial buyers the expense of making their remittances to France in specie. But in later years financial disasters were delayed, and by the delay aggravated,

(i. e., whole playing-cards, the suit and rank of which were indicated by black figures), while those for 50 *livres* were written "*de haut en bas*" on undivided red cards. In the lower right-hand corner of either sort were stamped the arms of the governor, in the upper left-hand corner the arms of the intendant, and in the other two the device of a *fleur-de-lis* upon a pedestal, enclosed in a circle of smaller *fleurs-de-lis*. In the first line of the inscription was the signature of the clerk of the treasury; in the next the year of issue and the legend, "*pour la somme de cent livres*," or "*pour la somme de cinquante livres*," as the case might be; in the lowest line, the signatures of the governor and intendant. The cards were legal-tender, and to counterfeit them was a criminal offense.

Besides those of 100 *livres*, the issues of 1714 included cards for 10, 15 and 20 *sols*, and 2, 4, 6, 12, 20, 40 and 50 *livres*. Both red and black cards were used, and in addition to the numerical indication of their value, the several denominations were differentiated, (a) by the manner of writing the inscriptions parallel to the shorter or longer edge of the card; (b) by the position of the seal or imprint; (c) by the manner in which the corners were or were not cut; (d) by the use of whole cards or segments (*coupures*); and, (e) by the presence of the signatures of the governor and intendant, or merely their initials.

because of the substitution of this plan for the original direct convertibility.

The successors of de Meulles, besides using the cards to anticipate the arrival of royal funds, were in several instances constrained to employ them as a means of borrowing. The privilege of securing advances of specie by selling time drafts upon the Treasury of the Marine, was not accorded to the colonial intendants by the home authorities; and at times the issue of cards was practically the only way to meet the government's expenses.¹ Losses by shipwreck or the ravages of hostile privateers in 1690, 1691 and 1692, excess of expenditure over the royal remittances in 1693, and the extraordinary war expenses of 1696, occasioned unusual additions to the outstanding card currency. In answer to the many and urgent appeals sent by de Champigny to the French King, these debts were discharged in 1700, not, however, before the troops had suffered somewhat from the higher prices demanded when payment was made in cards instead of silver.²

Irregularities in the shipments of government funds and supplies, were probably the cause of any extraordinary emissions occurring under de Champigny and his successors in the years preceding 1709. The intendants, MM. Raudot, wrote October 23d, 1708, that the colony had no currency but *la monnoye de carte*, and that, "because of the cessation of trade among the colonists when the currency is deficient," they had been obliged to issue cards of small denominations to take the place of the subsidiary coin carried back to France. But as they took care to destroy old cards to the amount of the new issues the outstanding total of the paper was not increased. The fact, then, that the issues were limited, would corroborate the statement in the *Memoire* of 1717, that, as the cards issued to satisfy the expenses of each year were redeemed upon the arrival of the ship bringing the royal funds, the use of the card currency caused no inconvenience until 1709.

¹ Letters of the Intendant, de Champigny, to the Minister; November 12, 1690, and May 10, 1691; ZAY, pp. 129-130.

² *Ibid.*, Letters of 20th October 1699 and 15th October 1700.

After this date France became more desperately involved in the war of the Spanish Succession, and the whole resources of the Treasury were needed for the contest in Europe. The remittances to America were discontinued and payment of Canadian drafts refused. Owners of the bills of exchange by which some of the cards had been retired, were obliged either to sell them at heavy discounts in France, or return them dishonored to the colonies. Whatever specie had hitherto tarried in New France, speedily disappeared in payment for imports. The quantity of card currency was now rapidly augmented. For without the annual supply of royal coin, none of the paper could be retired, and as the colony's income from taxation was extremely small, the need of meeting expenses forced the intendants each year to emit new cards to the amount of the sums formerly had from France.

Thus a single catastrophe, the embarrassment of the French finances, completely altered the character of Canada's first paper money. Its limited, but periodical convertibility into specie, or bills of exchange payable in specie, was lost, and the limitations as to quantity disappeared under the pressure of financial exigency. Deprived in this way of all the qualities of a safe and acceptable paper currency, the card money quickly acquired the characteristics of an unsound and despised medium. The amounts outstanding, yearly increased by issues to cover the whole of official disbursement, became so large that the colonists began to fear they would never be reimbursed.¹ The value of the cards fell rapidly, and the consequent rise of prices caused great general distress and serious disorders in trade.

The primary cause of the depreciation, as well as of the discredit affecting the cards, was doubtless the excessive quantities in which they were issued. Even while the amount had little exceeded the annual expenses of the colonial establishments,² (then about 400,000 *livres, monnoye du pays*) the cards had driven out all other forms of currency.³ In 1714, however,

¹ *Memoire* of 1717, *ut supra*.

² There were three, Montreal, Three Rivers, and Quebec. But the first two were really governed from Quebec, the largest of the settlements.

³ *Supra*, p. 413.

when the colony numbered barely 19,000 inhabitants,¹ the sums outstanding were estimated at 2,130,000 *livres* nominal value. Here was an increase of over 400 per cent. Under the circumstances, neither specie nor commercial credit being used as means of payment, it might be supposed that the depreciation had been nearly proportional to the successive expansions of the currency. But it seems that the influence of increased quantity was partly checked by some other factor of the situation. Of course, so long as the activity of trade was lessened by the presence of a fluctuating medium, the cards would circulate more slowly. Yet this will not wholly explain the fact that in spite of the increase of the currency to five times the usual volume, the cards depreciated but little more than 50 per cent. It may be that some holders were wont to regard the cards as government obligations on which they might ultimately realize the par value, rather than as money in the strictest sense of the word. In this case, the value of the currency, whether held as evidences of debt or used simply as a medium of exchange, instead of obeying the law of quantity,² would not have fallen below the figure which expressed the colonists' opinion of their government credit.

Whatever the influence that had prevented the worse depreciation which quantity and inconvertibility, working unchecked, would have brought about, it became necessary in 1714 to regain, so far as might be, the old-time credit of the Government, and to restore the currency to something like a sound condition. The disturbances occasioned by a discounted paper provoked the resolution to completely retire it. The colonists cheerfully accepted the proposition of the intendant, M. Begon, to redeem the cards gradually, at half their face value, and during the next three years over five-sevenths of the 2,100,000 *livres* outstanding were withdrawn by bills of exchange upon the French *trésorier-général*. But no royal remittances were received in 1714 and 1715, so that reissues thus rendered necessary raised the outstand-

¹ M. REUTTE D'AUTEUIL, quoted by GARNEAU, *History of Canada* (Bell's Translation), i. p. 432.

² MILL. *Political Economy*, book iii. chap. viii. § 3.

ing total in 1717 to 1,730,000 *livres*.¹ By this time the treasury of France had somewhat recovered from the absolute prostration in which it was left after the costly wars concluded by the Treaty of Utrecht, May 31, 1713. It was decided, in response to the appeals of the colonists and the recommendations of the *Conseil de Marine*, to grant to Canada what the official report termed the greatest possible benefit, *viz.*, the perpetual abolition of card currency.

The plan for relief was provided in the royal ordinance of July 5, 1717.² The law adopts, with slight changes, the scheme devised by Begon. It commands the complete withdrawal of the card currency at half its face value, but, in deference to the still lingering weakness of the treasury, permits an issue of cards to meet the colonial expenses for the fiscal year 1716-1717. It formally pledges that this shall be the last issue, and absolutely forbids the colonial officials thereafter to manufacture or emit *la monnaie de carte*. All outstanding cards are to be current at the redemption rate adopted by the treasury, *i. e.*, half their face value, until the retirement of the whole amount is effected. The ordinance abolishes the debased *monnaie du pays* and provides that thereafter the currency of the colonies shall be the same as that of France.³ Cards presented at the redemption office before

¹ *Memoire, ut supra*.

² *Edits, ordonnances Royaux, Declarations et Arrêts du Conseil d'État du Roi concernant le Canada*. Quebec, 1854, p. 370. Also in ZAY, p. 160.

³ As already remarked, the card currency was written in terms of this *monnaie du pays*, the coins of which contained only three-fourths as much fine metal as like denominations of *la monnaie de France*. Half the face value of a card for 100 *livres*, therefore, would be equivalent to but 37½ *livres tournois* or *monnaie de France*. It has been urged by some writers, *e. g.*, Messrs. Stevenson and Garneau, that while apparently at 50 per cent. the redemption measure of 1717 really amounted to a composition at 37½ per cent. The *memoire* of 1717 decisively answers this criticism. "But to-day this augmentation of the specie is purely fictitious and properly exists only in the imagination. As all merchandise brought into Canada is bought in France, and all payments are made there, the people observe in sales and purchases the proportion established between the different value of coins, according as they circulate in France or in Canada. It follows, therefore, that one will get in the colony for three *livres monnaie de France* what would cost four *livres monnaie du pays*." From this it appears that the debasement of the colonial standard was always taken into account, and that the colonists received a full 50 per cent. of the original intrinsic value of their claims.

the close of navigation in 1717 were to be retired by government bills of exchange, one-third thereof maturing in March, 1718, and one-third in March of each of the two next succeeding years. Cards presented after the ships sailed in 1717, and before their next departure, were paid by drafts maturing, one-half in 1719, and one-half in 1720. Paper outstanding after November, 1718, was declared irredeemable and devoid of value. All the cards retired were to be counted, recorded and burned.

The story of the first series of card issues closes with the mention of two decrees supplementary to the law of 1717. That of March 21, 1718, re-enacts the provision that the card money shall be current at but half its face value, and enables debtors to discharge obligations incurred after 1714 (when M. Begon began the redemptions on a 50 per cent. basis) by bills of exchange for half the nominal amount of their debts.¹ The second, that of July 12, 1718, prolongs the term for redemption and the legal circulation of the cards until November, 1719.²

So long as the restrictions as to quantity and the provisions for convertibility were observed, *i. e.*, from 1685-1709, the card currency seems to have been a useful and profitable expedient for the colonial government. It was also a convenient medium of exchange in the commerce of a colony deprived of adequate

¹ The card currency had become the colonial money of account. Because of its depreciation the contract prices of services and goods rose to double their real or specie value, and the enforcing of contracts at their nominal value would have caused great hardship and injustice.

² ZAY, p. 168. If the documents accompanying his text are trustworthy, M. Zay's otherwise admirable account of the card issues appears to be incorrect in regard to certain effects of the laws of 1717 and 1718. The *declaration royale du 21 mars 1718* hardly justifies his assertion that the colonies soon returned to the use of paper money. The *declaration* is not, as M. Zay calls it, a permission to the colonial authorities to circulate cards at half their face value, but rather a reënactment of parts of the law of 1717 and a relief measure for certain debtors, *viz*: those who in contracts made between 1714 and 1717 inclusive, had recognized the depreciation of the money of account, and had framed their terms accordingly. Furthermore, the *ordonnance royale du 12 juillet, 1718*, the *ordonnance de Messrs. de Vaudreuil et Begon du 11 novembre, 1718*, and the *ordonnance du Roy du 2 mars, 1720*, all contain evidence that after 1719, cards ceased to circulate in the colony and were devoid of value.

supplies of coin through its own poverty and an unfavorable balance of trade. That ever-possible misfortune, the temporary bankruptcy of those who issue a paper money, swept away at a single stroke the safeguards which made emissions generally advantageous. Certain of the debtor class, without doubt, found considerable profit in the depreciation induced by excessive issues and the distrust which attended them. The greatest advantage, of course, inured to the King, to whose account the difference between the nominal amounts finally retired and the sums actually paid therefor, was credited as so much clear gain. But through disturbances of trade, diminutions in the intrinsic value of contracts, positive losses on currency held, and the enormously higher prices of all commodities, the unfortunate colonists lost aggregates compared with which the items of gain were paltry indeed. Probably the worst and most lasting result of the first experiment with cards was the familiarity with the paper money idea gained by the colonists and their rulers in Europe and New France. Thereafter an issue of legal tender promises was constantly suggesting itself as an effective means of easing the monetary situation. The people seemed to forget the danger, not to say the evils, of the remedy, and yet, as elsewhere, so in Canada, a later resort to this specious expedient ended even more disastrously than the first.

III.

1729-1749.

During the decade after the last redemption of *la monnaie de carte*, November, 1719, specie was the sole circulating medium of the Canadian settlements. The abolition of paper money served, for one thing, to bring into greater prominence the action of the natural forces of the colonial commerce. For a time (1719-26) the French authorities attempted to counteract the influence of the unfavorable trade balance by arbitrary regulation of the specie. The only noteworthy thing about the seven decrees published during this period is their failure to

accomplish the ends proposed.¹ The details of their provisions are hardly pertinent to an account of the card currency.

The ministers and colonial officials were evidently imbued with some false notions that the colonial markets should, in any case, be provided with liberal quantities of specie; that lack of money was due to some other cause than lack of commodities to exchange for money. But the fact is, Canada was poor and remained poor as long as the French controlled it, largely, no doubt, because of the severe commercial restrictions which deprived it of many profitable branches of trade.²

As early as 1708, a change in the style of hats and the substitution of the cheaper rabbit fur for beaver, had lessened the demand for the colony's principal export, beaver skins, and greatly reduced the price.³ With the excess of imports over exported produce thus increased, it was to be expected that nearly all the royal remittances of coin would disappear from circulation after their first disbursement. It was an economic necessity that specie should be hoarded for reshipment at the earliest possible date, in order to balance accounts in the trade with France.

The scarcity of coin thus caused, and the embarrassment of domestic trade which they ascribe to this scarcity, are frequently referred to in the letters of the colonial officers to the French Ministry. In 1728⁴ M. de Beauharnois, then the Governor at Quebec, suggests a new issue of card currency, and urges it as the one available relief for the monetary situation. Unfortunately enough, as the end proved, this, and much more advice of the same tenor, was adopted. The King provided a new paper currency for Canada in the ordinance of March 2, 1729.

The preamble of this law briefly reviews the economic con-

¹ The text of the decrees can be found in the volumes, *Edits et Ordonnances*, and *Arrêts et Reglements*, already cited.

² For example, all dealings with the English in Boston or New York were forbidden, and the fur traders had to pay the French monopolists almost double prices for stuffs and trinkets which they sold to the Indians.

³ Letter of Governor de Vaudreuil, November 14, 1708. BRYMNER, *Canadian Archives*, 1886.

⁴ BRYMNER, *ibid.*, Letter of November 11, 1728.

ditions of the preceding decade by mentioning the depression of domestic trade, the retarded growth of business, the difficulty attending retail transactions and the consequent stunting of foreign commerce, "whose maintenance depends upon retail consumption." It ascribes these evils to the annual efflux of the specie remitted from France to pay the government's expenses. No remedial measure, it is said, then seemed more suitable than the establishment of a card currency. Such action was in accord not only with the desires of the Canadian traders, but also with the requests of the colonists generally. On this account the King was doubly willing to authorize the card money, which, by expanding the circulating medium, was expected to prove "*d'une grande utilité*" to internal trade and foreign commerce.

The new cards were limited in amount to 400,000 *livres*, in denominations of 24, 12, 6, and 3 *livres*, 1 *livre* 10 *sols*, and 7 *sols* 6 *deniers*. They were stamped with the arms of the French King and were written and signed by the *contrôleur de la Marine* at Quebec. Those of 3 *livres* and above were also signed by the governor and intendant of the colony; those of lower denominations bore only the initials of these officers. The currency was to circulate at its face value. It was to be received at the Government's warehouses in payment for powder, munitions and goods, and at the office of the treasurer for bills of exchange drawn upon the *trésoriers-généraux* of the Marine. It was legal tender in all payments of every sort and kind.¹

The ordinance seems to show that experience had given the French financiers some insight into the character of paper devices and the restrictions necessary for their legitimate use. There is evidence here that the lessons of 1709-1719 were heeded, and that now the authorities honestly intended to shun the evils of excessive issues and the consequent liability to inconvertibility and depreciation. But the

¹ The legal tender clause was as follows: "Veut sa Majesté que la monnoye de carte faite en execution de la présente ordonnance. . . . soit reçuë dans tous les payemens généralement quelconques qui se feront dans la Colonie, de quelque espèce et de quelque nature qu'ils puissent estre."

card money of the second series differs radically from that of 1685-1719.

In the first place, the new cards were used solely for currency. They lose the qualities of debt evidences used to anticipate royal remittances. It is not unlikely that the ministry had perceived the advantage of substituting for specie a paper circulating medium which cost only the trouble of preparation. Second, they were reissuable, partly as a result of the first change. The old cards were usually destroyed after redemption. Third, the function of issue now vested in the King instead of in the governor and intendant of Canada. Therefore, the issues were limited in amount and the colonial authorities lost their former power to interfere with the currency. Fourth, the cards were not convertible into specie as were the old issues so long as the King's funds were regularly received. Although the cards were exchangeable for supplies at the royal warehouses, their credit and currency were chiefly maintained by the provision for redemption by drafts upon the French treasury. I have already remarked upon the future significance of this plan, but it must be added, that the substitution of indirect for direct convertibility into coin seems to have been acceptable so long as the treasurers-general honored their obligations. Of course, the home government thus saved the expense of shipping specie to the colony to pay its debts, and as the colonists' chief need for coin was to discharge *their* debts in France, it is not unlikely that the plan was generally satisfactory.

It was soon perceived that the 400,000 *livres* authorized in 1729 formed a currency as deficient as the 2,100,000 *livres* of 1714 had been excessive. Population had increased to 30,000 or more. The development of the colony had been stimulated by encouragement of agriculture, bounties upon marriages and immigration, and subsidies granted to industries. Commerce had grown considerably and its needs increased.

The preamble of the ordinance of May 12, 1733,¹ states that at first the issue of 1729 had produced the desired effects. "But

¹ ZAY, p. 177. *Edits et Ordonnances*, p. 544.

either because people of condition hoard the card money on account of the just credit which it has, or because the colony is becoming capable, from day to day, of a more considerable commerce," the King was convinced that the currency then in circulation was insufficient for the operations of domestic and foreign trade. So, in fulfilling the desires of the traders, the colonists and the royal officers of Canada, a new issue was authorized "to provide for the general advantage of the province and the particular benefit of trade."

The legal limit for the total card currency was raised to 600,000 *livres*. The addition authorized was of 200,000 *livres*, in cards every way similar to those already in circulation. By the ordinance of Feb. 28, 1742, the limit of the authorized amount was raised to 720,000 *livres*; by that of April 17, 1749, to 1,000,000 *livres* of cards exactly identical, save as to date of issue, with those of 1729. The official reason for each of these additions was the alleged necessity of furnishing an adequate circulating medium for the growing colonial trade. In both cases the increase was demanded by the governor and the intendant of the colony. It is unlikely that they would have counseled the measures had their province been suffering from monetary disorders.

On the contrary, there is excellent reason to believe that the last two laws were genuine efforts to supply the Canadian needs; that when the officers wrote in 1748, the cards were still convertible and circulated at par; and that Canada from 1729 to 1749 enjoyed a sound and well regulated paper currency in her second series of cards. That the paper issues did serve their purpose, and that they brought on none of the calamities so often associated with similar devices, can be explained in two words; the amounts were limited: the issuers solvent. Inflation and depreciation were avoided by avoiding excessive issues. These and a third evil, repudiation, were also averted by the continuing ability of the French treasury to honor the colonial drafts upon its funds. Through these, good faith and a regular though indirect redemption were maintained in Canada.

IV.

1750-1760.

By 1750, the French aggressions in inland America had become a serious menace to the English settlements. The struggle for which both French and English had long been preparing, began in January 1754, and continued, with hardly an interruption, until the French dominion in Canada was ended by the capitulation of Montreal to the British, September 1760. Therefore, throughout the fourth period with which this narrative is concerned, the colony was either engaged in war, or in making ready for war. The fact is as necessary to an understanding of its financial conditions as of its political history. Whether victorious or defeated, the French were obliged to expend enormous sums to support their military operations. The expenses of the colonial establishment rose from 1,700,000 *livres* in 1749 to 26,000,000 *livres* in 1759. The total outlay for these eleven years and the first eight months of 1760, was no less than 124,000,000 *livres*.¹

Long before the struggle was over, communication with France was badly interrupted by privateers upon the high seas,

¹ GARNEAU, book x. chap. ii., quoting M. l'Abbé Raynal. The annual expenditures were as follows:

Year.	Million Livres.	Year.	Million Livres.	Year.	Million Livres.
1749	- 1.7	1753	- 5.3	1757	- 19.25
1750	- 2.1	1754	- 4.45	1758	- 27.9
1751	- 2.7	1755	- 6.1	1759	- 26.
1752	- 4.9	1756	- 11.3	1760 (8 months)	13.5

The exports and imports for the year 1749-1755 inclusive are given by Stevenson, as follows:

Year.	Imports, Livres Tournois.	Exports, Livres Tournois.	Excess of Imports.
1749	- 5,682,090	1,414,900	4,267,190
1750	- 5,154,861	1,337,000	3,817,861
1751	- 4,439,490	1,515,932	2,923,558
1752	- 6,047,820	1,554,400	4,493,420
1753	- 5,195,733	1,706,130	3,489,603
1754	- 5,147,621	1,576,616	3,571,005
1755	- 5,203,272	1,515,730	3,687,542

See "The Currency of Canada after the Capitulation," in *Transactions of the Quebec Literary and Historical Society*, 1876-7, p. 107.

while agricultural production in Canada was much diminished by the need of drafting farm laborers for military service. All this, as well as the monetary disorders into which the colony was thrown, greatly enhanced the price of supplies and thus served to increase the cost of hostilities.

The principal cause of the monetary troubles about to be described was the excess of colonial disbursement over receipts from France. At the close of the war over 80,000,000 of Canadian debt paper were outstanding, 41,000,000 of which were held by colonial creditors.¹ But by analyzing this cause, a factor of great influence, though certainly inferior to that of war, is found in the operations of François Bigot.² He was the able, energetic, and efficient, but corrupt and unscrupulous officer who served as Royal Intendant of Finance, etc., from 1748 to the fall of Quebec.

Very early in his intendency Bigot seems to have been hampered by lack of funds. He could not meet the increasing expenses of the colony, and, at the same time, satisfy the demands of his private establishment and of the clique of thieves who thrived under him.³ The limitation of the card currency to a total issue of a million *livres* was still in force. More cards could not be emitted without flagrant violation of law. So far as he could, Bigot preferred to keep within the law. He therefore devised a new sort of paper. These so-called *ordonnances* (practically due bills) were issued for even sums ranging from 20 *sous* to 100 *livres*, and given a forced circulation.⁴

¹ KINGSFORD, iv. 449.

² The character and misdeeds of Bigot are noticed in all the histories of Canada. A rather effective picture of the knavery and utter rottenness developed by the Ancien Régime when transplanted to Canada, is given in Kirby's romance *The Golden Dog*. Bigot is one of the prominent characters of the story.

³ The partial measure of their stealings is found in the records of the royal suit brought against nine or more of these rascals on their return to France. They were mulcted for 10,500,000 *livres*, in sums ranging from 300,000 to 6,000,000 *livres*, and punished with various terms of imprisonment.

⁴ The precise date of their first issue is unknown. Mr. Kingsford believes that the issues began in 1750. *History of Canada*, iii. 542. M. Zay adroitly avoids the question by saying they were resorted to "when the amount of card money was not sufficient for the public needs."

The form on which they were written was printed in France on sheets 111x145 millimetres. It read thus :

COLONIES 17
Dépenses générales
N^o

*Il sera tenu compte par le Roi
au mois d'octobre prochain, de la
somme de
valeur en la soumission du Trésorier,
restée au bureau du contrôle.
A Quebec, le*

This new type of colonial currency, then, was simply a transferable promise to pay, signed by the intendant alone, issuable in unlimited amounts, unauthorized by the government at Versailles, forced upon the public creditors and made a general legal tender. The *ordonnances* were not payable in specie, and the possibility of redemption in card money was contingent upon the state of the colonial treasury in the October following their issue. If the credits annually established at the home treasury in favor of the colony were large enough to leave a balance after the autumn conversion of cards into bills of exchange, and the payment of certain other claims, then the *ordonnances* were paid by immediately reissuing the redeemed cards. Otherwise, *i. e.*, if the royal credits and remittances were inadequate, the bonds of the local treasury, payable in cards after twelve months, were used to retire the *ordonnances*.

There is hardly need to describe the fate of a currency with the characteristics of this new paper. Issued by a corrupt government engaged in war, a government, too, whose only financial reliance was the uncertain support of France, soon to be likewise burdened by costly wars, issued without restrictions, these legal tender due bills, at first but partially and contingently convertible, soon lost even the slight safeguard of limited and indirect convertibility. In 1754, it became necessary to give the *ordonnances* a better credit, but the real result of the plan adopted was the degradation of all the currency to the level of the wretched paper of Bigot. The royal *monnoye de carte* of 1729-1749

was deprived of its priority at the autumn conversions, and until the close of navigation, cards and *ordonnances* were retired on equal terms, by the usual bills of exchange, part payable on demand, part maturing in 1755 and 1756.¹

The measure failed to abate the depreciation of the *ordonnances*. The value of the card money had previously been very high, as its amount was limited and it had the first chance at the yearly redemptions, but the increasing quantity of the currency now affected all parts of it alike. As yet the popular belief in French success was strong. Fear of repudiation had not been excited, and its surplus over the needs of the exchanges was still the only cause of the paper's depreciation. Thirteen hundred thousand *livres* of specie arrived from France in 1756. The establishment of the paper circulation at a permanent discount of 25 per cent. was undertaken. Every one hoped from this that the issues would now cease and the circulating medium be restored to a sound basis.

The fears rather than the hopes of the colonists were destined to be fulfilled. War expenses could not be retrenched, and disasters soon came fast. France was now assailed in India and in her island colonies as well as upon the Continent. Her European necessities alone demanded wellnigh the whole strength of the royal treasury. Neglect of Canada was almost inevitable. When home assistance failed them the colonial authorities resorted to fresh emissions of *ordonnances*. Prudence was thrown to the winds, and Canada plunged into the worst delirium of a paper money debauch. To meet every new expense, even to pay the inflated prices caused by former issues, new paper was poured into the channels of the circulation until it swelled to the enormous flood of over 40 millions. Cards and *ordonnances* fell to 60 and even 70 per cent. discount. The Chevalier de Levis wrote to the ministry in 1759² that all faith in the paper had fled, that the *habitants* having sacrificed everything to save the country, were utterly ruined. The situation could not have been

¹ KINGSFORD, iii. p. 542, mentions this change.

² STEVENSON, *ut supra*, p. 102.

better expressed. Commodities bore excessive prices to those who could pay only in currency; trade was prostrated and the people everywhere suffered overwhelming losses from the rapid shrinkage in the value of their currency holdings. Ruin was upon the colonists and bankruptcy upon their government, in Canada and in France. The drafts upon the royal treasury had been dishonored in 1758 and 1759, and further payments refused until, professedly, the causes and extent of the excessive paper issues had been investigated. The day really set for payment was that when the treasurers-general could somewhere find the funds.

Early in 1760 the governor and intendant published a circular intended to prop up the fast-subsiding structure of the colonial credit. They pleaded the necessities of war in excuse for the dishonored drafts of 1757 and 1758. Like the Southern Confederates in the United States a century later, they promised payment after the declaration of peace, the term for the bills of 1757 and 1758 being three months, for those of 1759 eighteen months, with interest on all from date of maturity. But it was quite in vain. The time when anything but an entire financial reconstruction would have been the slightest help had long since passed. The patience of the people to wait for future restitutions was completely exhausted and besides, Bigot and his colleagues had no prospect of making their promises good. France was already exhausted by taxation, burdened by debt and obliged to borrow each year as much as her income. The circular which the English General, Murray, addressed to the *habitants* in reply¹ proved, beyond a doubt, that under the circumstances the offer of the Frenchmen to liquidate 120 millions at the rate of six million *livres* a month was preposterous and impossible.

The letter of de Levis and the discount rates already quoted have shown how low the last paper money of New France had been dragged by excessive issues, inconvertibility and the financial exhaustion of the government. The final fall, from a discount of 70 per cent. to no value whatever, was not long post-

¹ June, 1760. KINGSFORD, iv. p. 459.

poned. The cause of the French was hopeless even before Bigot had published his circular, but the fight was kept up until Montreal capitulated in September, 1760. There were then outstanding 34 millions of *ordonnances*, and 7 millions of card money and bonds payable in cards. Both in popular belief and official opinion, this huge mass of credit had become as worthless as the paper on which it was written.

The history of the card currency under the French properly closes at this point. The subsequent partial redemption of the paper held by British subjects was more of a war indemnity than a monetary phenomenon. But the sequel shows how little the protection of victorious England availed the creditors of the French establishment, and how what was almost force failed to secure the entire liquidation of a paper money once gone wrong. In order to include these facts, and to trace the *monnoye de carte* to the end of its history, my concluding pages have been devoted to the orders and negotiations of 1760–1766.

V.

1760–1766.

At first, the inauguration of English rule in Canada after the capture of Montreal seemed to make the discharge of the 41 million *livres* still owing to the colonists, a question of grave uncertainty. One of the earliest acts of General Murray as Governor of Quebec, was to publicly warn the simple and uninformed *habitants* not to receive the French paper at any price, and to threaten punishment to those attempting to defraud the rural population by paying out cards. By the end of 1760, the cards and *ordonnances* had ceased to circulate. Some hope, however, still lingered, and interest centered upon England's ability to compel the French to recognize and liquidate their obligations. The English ministry felt that some such action was necessary to protect and conciliate the Canadians. The close of the Seven Years War found France humbled, exhausted, and in no position to dictate terms. So in the treaty of Paris, February 10, 1763, the

British commissioners succeeded in getting the pledge of Louis XV. to pay the sums due the new subjects of the British crown.

Upon the arrival of this news in Canada, the Governor provided arrangements for taking the declarations of the settlers as to the amount and character of the debt evidences in their possession. Speculation was probably stimulated by this order, as Haldimand, Governor of Three Rivers, shortly afterwards warned the habitants against sacrificing their interests by selling the cards at low rates, and advised them to wait patiently and neither buy nor sell, as rights in the paper might be impaired by transfers.¹

These documents seem to reflect the honest intentions of the British governors that their charges should not suffer loss through their easily excited fears or their ignorance as to the possible value of their holdings. Of course, some speculation in instruments of so doubtful and fluctuating worth was inevitable. It is tolerably certain that after the opening of the Quebec registration office, some of the English traders prepared for large gains by rapidly buying up the cards at 15 per cent. of their face value,² but it is by no means proved that the military and civil officials joined in these operations, although such charges have been brought against them by French writers.³

In 1764 General Murray reported the total registration for the districts of Montreal, Three Rivers and Quebec, as 16,782,510 *livres* of bills of exchange, *ordonnances*, cards and paper payable in cards.⁴ Two years later, the terms of a partial liquidation were embodied in the Convention of March 29, 1766.⁵ France

¹ KINGSFORD, iv. p. 460, contains the details of these orders.

² A similar speculation occurred in the United States in 1789, when it became probable that Alexander Hamilton's plans for funding and assumption would be adopted by Congress. JEFFERSON, *Works*, ix. p. 92.

³ For the curious controversy as to which sections of the Canadian community were the real gainers from the British protection of colonial claims, see GARNEAU, book x. app. ii; KINGSFORD, iv. p. 458; and STEVENSON, "Card Money of Canada during the French Domination", *Transactions of the Quebec Literary and Historical Society*, 1874-5, pp. 91 *et seq.*

⁴ *Canadian Archives*, Quebec, vol. ii. p. 168.

⁵ For the text of *The Convention for the Liquidation of the Canada Paper Money belonging to the subjects of Great Britain, between the King of Great Britain and the Most Christian King*, see STEVENSON, *ut supra*.

agreed to liquidate the Canadian paper held by British subjects at the rate of 50 per cent. upon bills of exchange and certificates entitled to such payments, and of 25 per cent. upon *ordonnances* and the remaining evidences of debt. The payments were to be made in *reconnoissances* or rent contracts bearing interest at $4\frac{1}{2}$ per cent. from January 1, 1765, "subject to the same fate for reimbursement as all the other debts of the State," and exempt from any reduction whatsoever. The ownership of the paper by a British subject had to be thoroughly established, and the descriptive oaths prescribed for this purpose exhausted the possible cases of ownership. The French crown further agreed to pay the British proprietors an indemnification or *premium* of 3,000,000 *livres tournois*, one-sixth in specie, and five-sixths in rent contracts similar to those described, except in bearing interest from January 1, 1766, instead of 1765.

Compared, then, with the unfortunates of 1750–1760, the holders of the notes redeemed between 1714 and 1719, fared exceeding well. In either period, the evils and losses which attended unrestricted paper issues bore most heavily upon the people. The early creditors, however, received at least a full 50 per cent. on the face value of their holdings. But in the later period only the most fortunate secured a 50 per cent. redemption, while the great majority were paid but 25 per cent. of the nominal value of their claims. Though obtained with England's assistance, the restitution was so fractional, so slight, as to be little more than mockery of justice.

And even on this, the holders were unable to realize the par value. The settlements, probably made at Paris, were by no means easily adjusted, and the $4\frac{1}{2}$ per cent. stock obtained in exchange was soon discounted on the security market. In the latter part of May, 1766,¹ it sold in London at 74. The settlements, after this date, were effected with still greater expense, difficulty and delay. The value, both of the original bills and the stock with which they were liquidated, steadily declined.²

¹ *London Gazette*, May 23, 1766.

² *Ibid.*, June 3 and 23; July 21, 1766.

January, 1770, the interest on the Canada stock was reduced to $2\frac{1}{2}$ per cent.¹ In February its reimbursement, together with that of other French state debts, was postponed for four years.² By the following June (1771), Canada paper had become utterly worthless in the London market,³ and the fears of the holders were shortly afterwards confirmed by the bankruptcy of France and the practical repudiation of her debts.

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¹ VÜHRER. *Histoire de la Dette Publique en France*, i. p. 243.

² *Ibid.*, p. 246.

³ *Gazette*, June 3, 1771, quoted by STEVENSON, "The Currency after the Capitulation," p. 108.